

IN THE MATTER OF

LIFE INSURANCE COMPANY OF
GEORGIA
AND SOUTHLAND LIFE
INSURANCE COMPANY

REGULATORY SETTLEMENT AGREEMENT

THIS REGULATORY SETTLEMENT AGREEMENT (the "Regulatory Settlement Agreement") is entered into as of this 28th day of February, 2002, by and between Life Insurance Company of Georgia ("LOG") and Southland Life Insurance Company ("Southland") (LOG and Southland are sometimes collectively referred to herein as the "Companies"), as parties of the first part, and the Insurance Commissioner for the State of Georgia (the "Lead Regulatory Negotiator"), and the insurance regulators of each of the states of the United States and of the District of Columbia that adopt, approve and agree to this Regulatory Settlement Agreement (the "Participating Regulators") by virtue of the provisions of Article II hereof, as parties of the second part.

I. BACKGROUND AND RECITALS

1. In October, 2000, the Georgia Insurance Department issued an examination warrant for a market conduct exam of LOG (later amended in 2001 to include Southland) to investigate the Companies' practices in the sale of industrial life and certain other life insurance policies.

2. The Georgia Insurance Department, with the support and assistance of examiners from other states and outside consultants, conducted a thorough market conduct examination of the Companies of the issues set forth herein.

3. The Georgia Insurance Department alleges that the Companies or other insurance companies acquired by the Companies sold certain industrial and other life insurance policies to non-white persons at higher premiums or with lesser benefits than policies sold to otherwise similarly situated white persons (the "Alleged Practices"). The Georgia Insurance Department contends that the Alleged Practices were discriminatory. The Companies vigorously denied and continue to deny the Alleged Practices and any other allegations of wrongdoing on their part.

4. As the domestic state for LOG, and upon the request of the Insurance Department of the State of Texas, the domestic state for Southland, the Georgia Insurance Department coordinated the market conduct examination of the Companies, as well as the negotiation, drafting and finalization of this Regulatory Settlement Agreement.

5. The members of the National Association of Insurance Commissioners ("NAIC"), including the Participating Regulators, as the chief regulatory officials of their respective jurisdictions, have jointly agreed to designate the Georgia Insurance Commissioner as the Lead Regulatory Negotiator, in consultation with other regulators, in order to negotiate this Regulatory Settlement Agreement on behalf of and for the benefit of the Participating Regulators and the NAIC.

6. The Companies have been named as defendants in various lawsuits (collectively, the "Lawsuits", which are specifically identified on Exhibit Q to the Stipulation of Settlement) alleging among other things, as more particularly described in the Stipulation of Settlement: (a) discriminatory actions and omissions in the marketing, pricing, servicing, sales, underwriting, terms and conditions, characteristics, administration, performance, providing of information (or failure to provide information) and recordkeeping relating to industrial and certain other life insurance policies; and (b) other misconduct, acts, omissions and breaches of duty relating to

such policies and the hiring, retention, supervision and training of agents of the Companies (all allegations and claims in the Lawsuits hereafter, collectively, the "Lawsuit Allegations"). The Companies denied and continue to vigorously deny each one of these allegations.

7. It appears that the Companies have agreed to a settlement with a nationwide class of affected policyholders by virtue of the execution of a Stipulation of Settlement (the "Stipulation of Settlement"). An accurate copy of the Stipulation of Settlement and its exhibits, is attached hereto as Exhibit A.

8. Finding the Stipulation of Settlement to be fair and reasonable and by virtue of the terms and conditions set forth in this Regulatory Settlement Agreement, the Participating Regulators and the Companies desire to resolve all regulatory issues arising from or in any way relating to the subject matter herein described on the terms and conditions set forth herein.

II. REGULATORY SETTLEMENT AGREEMENT TERMS

1. By their signature and delivery of this Regulatory Settlement Agreement, as described below, and by virtue of the execution of this Regulatory Settlement Agreement by the Lead Regulatory Negotiator on behalf of and for the benefit of the Participating Regulators, the Participating Regulators each acknowledge and agree that: (1) they have read and understand the terms and conditions of the Stipulation of Settlement; (2) the Lead Regulatory Negotiator has participated in the settlement negotiations between attorneys for the class and attorneys representing the Companies; and (3) the Lead Regulatory Negotiator has been actively involved in the evaluation and discussion of each form of relief which is included within the Stipulation of Settlement. By the signature and delivery of this Regulatory Settlement Agreement, each Participating Regulator further acknowledges the sufficiency and fairness of this Regulatory Settlement Agreement and of the Stipulation of Settlement Agreement, and agrees that the

execution of such documents fairly, reasonably and adequately address the concerns of class members as defined in the Stipulation of Settlement including the past, present and future policy owners, and any holders, insureds, beneficiaries, payees and other parties in interest with respect to this Regulatory Settlement Agreement.

Each Participating Regulator by way of signature below gives his/her express assurance that under their applicable state laws, regulations and judicial rulings, they have the authority to enter into this Regulatory Settlement Agreement. Each Participating Regulator shall execute and deliver this Regulatory Settlement Agreement to the Lead Regulatory Negotiator within twenty (20) days following the receipt of this Regulatory Settlement Agreement from the Lead Regulatory Negotiator. If a Participating Regulator finds that, under state law, regulation or procedure, the preparation and execution of a consent order is necessary to carry out the terms of this Regulatory Settlement Agreement, such a consent order (the "Applicable Consent Order") shall be prepared by such Participating Regulator within twenty (20) days following the receipt of this Regulatory Settlement Agreement from the Lead Regulatory Negotiator.

For purposes of this Regulatory Settlement Agreement, an "Applicable Consent Order" shall be satisfactory to the Companies if it: (1) acknowledges the authority of the Lead Regulatory Negotiator as described herein; (2) incorporates by reference and attaches via exhibit a copy of this Regulatory Settlement Agreement; (3) expressly adopts and agrees to the provisions of this Regulatory Settlement Agreement and of the Stipulation of Settlement; (4) sets forth the penalty amount in the Administrative Penalty Allocation Formula Chart attached hereto as Exhibit B; and (5) includes other terms that may be required under law or regulations applicable to such consent orders generally in the state of the applicable Participating Regulator. However, nothing in this Regulatory Settlement Agreement shall be construed to require any

state to execute and deliver an Applicable Consent Order if such State elects to sign this Regulatory Settlement Agreement and not prepare a consent order.

This Regulatory Settlement Agreement is expressly conditioned upon the adoption of and compliance with the terms of the Stipulation of Settlement by each of the Companies. Any material violation of this Regulatory Settlement Agreement or any material violation of the Stipulation of Settlement after the Final Settlement Date (as such term is defined in the Stipulation and Settlement), may be deemed to constitute a violation of an Order issued by the Participating Regulators against the Companies or either Company to which the violation is deemed attributable. Any regulatory actions based upon a material violation of the Regulatory Settlement Agreement or the Stipulation of Settlement shall be governed by and interpreted according to the laws of the State of Georgia, without regard to existing principles of conflicts of laws, with the exception of provisions relating to an Order by any of the Participating Regulators or the Lead Regulatory Negotiator, to enforce the provisions of this Regulatory Settlement Agreement.

III. ADMINISTRATIVE PENALTY

The Companies agree to pay an aggregate administrative penalty of four million dollars (\$4,000,000), payable by the Companies as follows:

1. The Companies shall pay to the state of each Participating Regulator that executes and delivers both this Regulatory Settlement Agreement, and/or any Applicable Consent Order, the amount set forth in the Administrative Penalty Allocation Formula Chart attached hereto as Exhibit B. The Companies shall pay each Participating Regulator's state its respective administrative penalty amount only after such state and the respective Participating Regulator executes and delivers this Regulatory Settlement Agreement and/or any Applicable Consent

Order. Such payment shall be made by the Companies within thirty (30) days after the later of: (a) the "Final Settlement Date," as such term is defined in the Stipulation of Settlement; or (b) the date upon which the Companies receive written instructions from all Participating Regulators containing the payment instructions, whichever occurs latest.

2. As to any state that does not execute and deliver the Regulatory Settlement Agreement, and/or any applicable Consent Order, the Companies shall not be obligated to pay that state, or its insurance regulator, any portion of the administrative penalty, and such administrative penalty allocation amount that would otherwise be due to such state shall be redistributed proportionately back to the twelve (12) states on the list attached hereto as Exhibit C. Such redistribution shall be based on the percentages contained in column eight (8) of that Exhibit B.

3. The payments of an administrative penalty made pursuant to this Article III shall be in addition to the various forms of relief that will be provided pursuant to the terms of the Stipulation of Settlement and any other relief parties may obtain in civil lawsuits.

IV. GENERAL RELEASE AND RELEASE FROM FURTHER REGULATORY EXAMINATION OR SANCTION

By the execution and delivery of this Regulatory Settlement Agreement and/or any Applicable Consent Order and except as necessary to enforce the terms hereof, each Participating Regulator does hereby release, remise, acquit and forever discharge each of the Companies, and their past and present affiliated companies, and all past, present and future officers, directors, employees, shareholders, attorneys, agents and representatives, including all of the Releasees as defined in the Stipulation of Settlement, of and from any and all past, present or future claims, fines, penalties, sanctions, actions, suits, proceedings, losses or demands of any type relating to or arising from: (a) the Alleged Practices described in Article I; (b) the allegations that were or

could have been made in the Lawsuits; (c) any violation of any state or federal anti-discrimination laws or regulations relating to any life insurance policy that is the subject matter of this Regulatory Settlement Agreement; (d) the marketing, disclosures, non-disclosures, suitability, underwriting, rating, pricing, maturity, value, administration, operation, recordkeeping, collection, servicing, replacement, termination, expiration, payment, or claims processing and payment, of any life insurance policy covered by the Stipulation of Settlement written, issued or otherwise assumed by either of the Companies at any time prior to the date of this Regulatory Settlement Agreement; (e) any violation of any federal or state law or regulation, including insurance laws or regulations, with respect to any of the aforementioned life insurance policies relating to the marketing, disclosures, suitability, underwriting, rating, pricing, maturity, value, administration, operation, recordkeeping, collection, servicing, replacement, termination, expiration or payment of any such life insurance policy; and (f) all claims released in the Stipulation of Settlement.

Each Participating Regulator on behalf of itself and its respective state of authority also agrees to discontinue any further questioning, examination or analysis of the Companies that relates to the subject matter of this Regulatory Settlement Agreement and that any examination, issue or information request posed by any state of a Participating Regulator to either of the Companies with respect to any industrial insurance or certain other life insurance policy covered by the Stipulation of Settlement and that is the subject of this Regulatory Settlement Agreement shall be deemed null, void and withdrawn.

V. REGULATORY APPROVAL OF THE SETTLEMENT OF THE CLASS ACTION LITIGATION

Each of the participating Regulators, on behalf of his/her State, hereby gives express assurance that under their applicable state laws, regulations and judicial rulings, they have the

authority to enter into this Regulatory Settlement Agreement. By the execution and delivery of this Regulatory Settlement Agreement and/or any Applicable Consent Order with the Companies, each Participating Regulator acknowledges that he/she has reviewed and agrees with the terms and conditions as set forth in the Stipulation of Settlement.

VI. SUMMARY NOTICE OF CLASS ACTION SETTLEMENT TO BE PUBLISHED BY REGULATORS

When addressing public questions and comments related to the terms of the Stipulation of Settlement, the Lead Regulatory Negotiator and each Participating Regulator agree to utilize, or make reference to the summary notice of the settlement as set forth in Exhibit D to this Regulatory Settlement Agreement.

VII. CONDITIONS PRECEDENT TO THE PARTIES' OBLIGATIONS

The obligations of the parties under this Regulatory Settlement Agreement are contingent upon the satisfaction of each of the following conditions:

1. The acceptance of this Regulatory Settlement Agreement by the Board of Directors of each of LOG and Southland.
2. The acceptance as evidenced by execution and delivery of this Regulatory Settlement Agreement, and any Applicable Consent Order, by the twelve (12) states listed on Exhibit C (the "Key State Acceptances"). If such Key State Acceptances are not obtained as required by the terms set forth in Section II of this Regulatory Settlement Agreement, then either of the Companies, at their sole option, may terminate this Regulatory Settlement Agreement, whereupon this Regulatory Settlement Agreement shall be void and of no force or effect, except that Sections 1, 2, 10, 11, 12 and 13 of Article VIII hereof shall survive such termination. Such termination shall be effected by written notice thereof delivered within thirty (30) days of the terminating event to the Georgia Insurance Department.

3. The "Final Settlement Date" as defined in the Stipulation of Settlement has passed.

4. The satisfaction of all terms and conditions necessary for the Stipulation of Settlement to be binding and enforceable.

VIII. GENERAL MATTERS

1. Each of the Companies and the Participating Regulators agree to keep the specific terms of relief of this Regulatory Settlement Agreement, the Stipulation of Settlement, and all of the previous negotiations confidential until the date of the execution of this Regulatory Settlement Agreement by the Companies and by the Participating Regulators of the Key State Acceptances states, as defined in article VII above; provided, however, that this restriction shall not prevent a prior disclosure of such information to fellow insurance regulators, to rating agencies nor to any other person or entity, including the various courts involved with the Stipulation of Settlement, to whom the affected parties mutually agree disclosure must be made.

2. The Lead Regulatory Negotiator agrees that until such time as this Regulatory Settlement Agreement becomes final, the market conduct examination shall remain open and neither the results of that examination nor workpapers derived therefrom or related thereto shall be subject to public disclosure in keeping with the "Confidentiality Agreement on Regulatory Sharing of Information Regarding Race-Based Pricing & Underwriting Activities" as executed by members of the NAIC, and further agrees that he will communicate the confidential nature of the specific terms of relief of this Regulatory Settlement Agreement and the Stipulation of Settlement until the date of the execution by the Participating Regulators representing the twelve (12) Key State Acceptances as defined in Article VII above.

3. In the event that any portion of this Regulatory Settlement Agreement is held invalid under any particular state's law as it is relevant to a Participating Regulator's state, such invalid portion shall be deemed to be severed only in that state and all remaining provisions of this Regulatory Settlement Agreement shall be given full force and effect and shall not in any way be affected thereby; provided, however, that Article IV is an essential term hereof and if Article IV is declared invalid in any state, then this Regulatory Settlement Agreement shall be void and of no force or effect in that state, and all amounts paid as penalties under Article III to the Participating Regulator in that state hereof shall be refunded within ninety (90) days to the Companies. Notwithstanding such event, Sections 1, 2, 10, 11, 12 and 13 of Article VIII (consistent with Section III, paragraph 2) shall survive such an invalidation event.

4. The Lead Regulatory Negotiator and the Companies may mutually agree to any reasonable extensions of time that might become necessary to carry out the provisions of this Regulatory Settlement Agreement.

5. The Lead Regulatory Negotiator represents and warrants that he is authorized to negotiate this Regulatory Settlement Agreement on behalf of the State of Georgia and on behalf of the insurance regulators of each of the other states of the United States and of the District of Columbia.

6. James D. Thompson warrants that he is authorized to agree to this Regulatory Settlement Agreement on behalf of the Companies.

7. This Regulatory Settlement Agreement and/or any Applicable Consent Orders sets forth the entire agreement between the parties with respect to its subject matter and supersedes all prior agreements, arrangements or understandings (whether in written or oral form) between the Companies and Participating Regulators. This Regulatory Settlement

Agreement may not be altered or modified without the express written approval of the Companies and the Participating Regulators.

8. By the execution and delivery of this Regulatory Settlement Agreement and/or any Applicable Consent Order, each of the Participating Regulators hereby warrants and represents that, in executing this Regulatory Settlement Agreement, none of them are relying upon any action, inaction, representation, statement, implication, impression or assertion of fact or opinion undertaken, made or created by either of the Companies or by any agent, attorney, employee or representative of either of the Companies. Each of the Participating Regulators hereby agrees to the terms of this Regulatory Settlement Agreement, thereby waiving any right to rely upon any prior agreement and/or representation made by either of the Companies or by any agent, attorney, employee or representative of either of the Companies, even if made for the purpose of inducing this Regulatory Settlement Agreement.

9. Except for the provisions related to an order to enforce the terms of this Regulatory Settlement Agreement by any of the Participating Regulators or by the Lead Regulatory Negotiator, the terms of this Regulatory Settlement Agreement and/or any related Applicable Consent Orders with each of the states shall be governed by and interpreted according to the laws of the State of Georgia, without regard to existing principles of conflicts of laws.

10. By entering into this Regulatory Settlement Agreement, neither of the Companies admits or acknowledges any liability or wrongdoing, this Regulatory Settlement Agreement having been negotiated and approved solely to avoid the burden and expense of litigation and to resolve any dispute over the market conduct examination results.

11. In no event shall the terms of this Regulatory Settlement Agreement or its existence or any provision or any negotiations relating to its provisions in any way be construed as, offered as, received as, used or deemed to be evidence of any kind in any civil, criminal, judicial, administrative, regulatory or other proceeding, except any proceeding to enforce this Regulatory Settlement Agreement brought by the Lead Regulatory Negotiator or any of the Participating Regulators.

Without limitation of the foregoing, neither this Regulatory Settlement Agreement nor any of the negotiations or statements made during negotiations or prior to the execution of this Regulatory Settlement Agreement shall be construed, offered, received or used as evidence or as an admission or concession of any act, omission, liability or wrongdoing whatsoever on the part of any person or entity, including, without limitation, each of the Companies, nor shall this Regulatory Settlement Agreement be construed as a waiver by either of the Companies of any applicable defense, including but not limited to any applicable statute of limitation, statute of repose or statute of frauds defense which are now or may later be available to the companies.

12. Nothing in this Regulatory Settlement Agreement or the Stipulation of Settlement, nor any of their terms and conditions shall be interpreted to alter in any way the contractual terms of any insurance policy sold or assumed or acquired by either of the Companies or the parties to such insurance contract.

13. This Regulatory Settlement Agreement may be signed in multiple counterparts, each of which shall constitute a duplicate original, but which taken together shall constitute but one and the same instrument.

14. In agreeing to the terms of the Regulatory Settlement Agreement, each of the Companies waives its rights to an administrative hearing under the applicable laws of the State

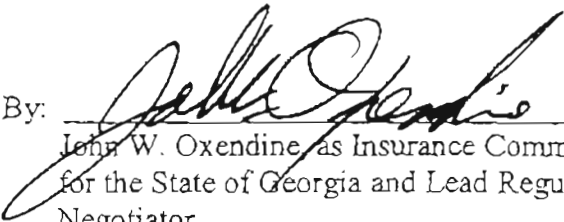
of Georgia, as well as with respect to its rights to administrative hearings related to the market conduct examination performed by the Georgia Insurance Department on each of the two Companies.

15. In agreeing to the terms of the Regulatory Settlement Agreement, each of the Companies also waives its right to an administrative hearing under the applicable laws and regulations of any state whose insurance regulatory official signs the Regulatory Settlement Agreement, and/or any Applicable Consent Order.

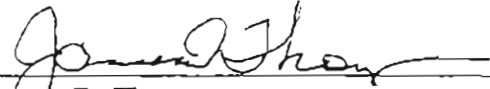
16. Each of the Companies enters this Regulatory Settlement Agreement with the Georgia Insurance Department acting as Lead Regulatory Negotiator. All of the terms of the Regulatory Settlement Agreement shall be binding upon, and shall inure to the benefit of, each of the Companies, the Lead Regulatory Negotiator, each Participating State, each Participating Regulator (and the states he or she represents), and the successors and assigns of each of the foregoing.

[signatures on next page]


AGREED TO this 20th day of February, 2002.

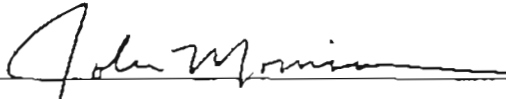
By: 
John W. Oxendine, as Insurance Commissioner
for the State of Georgia and Lead Regulatory
Negotiator

LIFE INSURANCE COMPANY OF GEORGIA

By: 
James D. Thompson

SOUTHLAND LIFE INSURANCE COMPANY

By: 
James D. Thompson

By: 
John Morrison as Commissioner for
the State of MONTANA

[signature page to Regulatory Settlement Agreement]